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IN THE

Supreme Court of the United States

MICROSOFT CORPORATION,

Petitioner,

v.

AT&T CORPORATION,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* THE HOUSTON INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY

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QUESTION PRESENTED

The amicus curiae will address the following question:

1. Whether digital software code—an intangible sequence of "1's" and "0's"—may be considered a "component[] of a patent invention" within the meaning of section 271(f)(1); and if so,

2. Whether copies of such a "component[]" made in a foreign country are "supplie[d] . . . from the United States."

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INTERESTS OF THE AMICUS CURIAE

The Houston Intellectual Property Law Association (HIPLA) is an association of over 400 lawyers and other professionals who work in the Houston, Texas area.[1] The practice of most of the HIPLA membership relates in substantial part to the field of intellectual property law. Founded in 1961, HIPLA is one of the largest associations of intellectual property practitioners. No HIPLA member has served as record counsel to any party in the subject of this appeal.

HIPLA members often are called upon to advise their clients in matters involving the statute at issue in this case, 35 U.S.C. § 271(f). HIPLA believes that the Federal Circuit correctly determined that the term "component" in section 271(f) is properly read to include "software." However, the other holding by the Federal Circuit in this case, that the term "supplying" in section 271(f) is properly read, for software cases only, to include "copying," is a holding that HIPLA believes to be erroneous.

Section 271(f) is a statutory provision of great consequence to many clients of HIPLA members. These clients depend upon HIPLA members for reliable advice in determining whether current or prospective activities will or will not run afoul of the statute. Because the Federal Circuit's holding that software constitutes a component within the meaning of section 271(f) is a natural reading of the statute

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[1] No counsel for a party authored this brief in whole or in part, and no person or entity other than *amicus curiae*, its members or counsel, has made a monetary contribution to the preparation or submission of this brief.

and legislative history, this amicus respectfully requests this Court to affirm such holding. Because the Federal Circuit's holding that "supplying" software under section 271(f) includes copying is a strained reading of the statute and legislative history, and requires the creation of an unwarranted special exception in software cases, this amicus respectfully requests this Court to reverse such holding.

BACKGROUND

Microsoft creates and tests in the United States certain software related to digitally encoding and compressing recorded speech. *AT&T Corp. v. Microsoft Corp.*, 2004 WL 406640 at *1, 71 U.S.P.Q.2d 1118 (S.D.N.Y. 2004). Microsoft distributes this software by first inscribing it on a "golden disk" in the United States. *Id.* This golden disk is then sent to a foreign country where foreign original equipment manufacturers replicate the code, and load the replicated code onto foreign-assembled computers, which are then sold to consumers. *Id.* While the golden disk is created in and shipped from the United States, all other steps described above take place outside the United States. *Id.* The software on the golden disk is never directly incorporated into its ultimate consumer's computer system, but is always first replicated outside the United States from the golden disk and the replicated code transferred to the foreign-assembled computer. *Id.*[2]

AT&T's patent, RE 32,580, has claims drawn to "a speech processor" and an "[a]pparatus for encoding a speech pattern." *See, e.g.*, RE 32,580 (claims 11 and 24). In

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[2] Alternatively, rather than ship a "golden disk," the transfer is accomplished via electronic transmission. *Id.*

general, these claims include computer hardware on which software is loaded that enables the hardware to encode speech patterns. *Id.*[3] On June 4, 2001, AT&T filed suit against Microsoft, alleging that certain of Microsoft's products containing "speech codecs"—software programs—infringed AT&T's patent. *Id.* at *1 & n.1.

At trial, the parties stipulated to infringement of the apparatus claims for sales in the United States under 35 U.S.C. §§ 271(a) and (b).*AT&T Corp. v. Microsoft Corp.*, 414 F.3d 1366, 1368 (Fed. Cir. 1995). The issue addressed by the trial court and now on appeal is whether Microsoft should be liable for sales in foreign countries under 35 U.S.C. § 271(f). The trial court and the Federal Circuit both found liability under section 271(f) for Microsoft's foreign activities. According to the Federal Circuit, software constitutes a "component" under section 271(f) and "[g]iven the nature of the technology, the 'supplying' of software commonly involves generating a copy." *AT&T*, 414 F.3d at 1370. Based on this interpretation, the Federal Circuit found that copying was subsumed in "supplying" for purposes of section 271(f)(1) and liability attached to all of Microsoft's computer systems created and sold outside of the United States. According to the majority of the panel, "[t]o decide otherwise would emasculate 271(f) for software inventions." *Id.* at n.2.

SUMMARY OF ARGUMENT

With regard to the first question presented, HIPLA agrees with the district court and the Federal Circuit that software

[3] RE32580 also has method claims that are not at issue in this appeal.

does constitute a component under section 271(f). This result follows naturally from the statutory text and legislative history, neither of which contain any suggestion that "component" should be limited by technology so as to exclude software. Moreover, the arguments raised by Microsoft in its briefing to the Federal Circuit do not justify the judicial carve-out of an exception for software.

However, with regard to the second question presented, HIPLA believes that "supplying" under section 271(f) does not include copying, and Microsoft should not be liable under section 271(f) for its overseas copying of golden disks containing software loaded onto those disks in the United States. Just as software should be treated the same as other elements when determining whether it is a "component" under section 271(f), so should software be treated when determining whether it has been "supplied" within the meaning of the statute. The Federal Circuit's decision to read "supplying" to include "copying," exclusively for cases involving software, is unsupported by the text of section 271(f) and its legislative history, and also directly conflicts with the Federal Circuit's own precedent. This holding by the Federal Circuit greatly expands the extraterritorial reach of the statute, and ignores viable alternative strategies that companies such as AT&T could pursue to better compete with companies like Microsoft overseas.

ARGUMENT

A. The Federal Circuit's Conclusion that Digital Software Code Constitutes a "Component" Under Section 271(f) is Consistent with the Text and the Legislative History of the Statute, and Should Be Affirmed

The Federal Circuit held that software constitutes a component under section 271(f), noting that the text of the statute does not limit the term "to patented 'machines' or patented 'physical structures.'" *Id.* at 1369 (citing *Eolas Techs., Inc. v. Microsoft Corp.*, 399 F.3d 1325, 1339 (Fed. Cir. 2005)). Because this holding by the Federal Circuit is consistent with the text and legislative history of the statute, and because Microsoft has shown no justification for a judicially-created exception for software, this Court should affirm the Federal Circuit's holding.

1. Neither Section 271(f) nor its Legislative History Limit the Term "Component" in a Manner that Excludes Software

Neither of the twin prongs of section 271(f) restrict the term "component" so as to exclude software from the meaning of the term. Paragraph (1) of section 271(f) places no limitations on "component", and paragraph (2) limits "component" only in that the "component" be "especially made or especially adapted for use" in the patented invention, and thus "not a staple article or commodity of commerce suitable for substantial noninfringing use. . . ." 35 U.S.C. § 271(f). Nothing in paragraph (2) automatically excludes software from constituting a component of a patented invention. Software can be written for a particular purpose

that falls within the scope of a patented invention, as in this case. Microsoft does not dispute that its object code is especially made for use in its Windows operating system, which was found to infringe AT&T's patent. *AT&T Corp.*, 2004 WL 406640, at *3. Having been written for such purpose, Microsoft's object code—software—is not a staple article or commodity suitable for substantial noninfringing use.

The legislative history of section 271(f) similarly provides no justification for the exclusion of software from the statute's scope. *See* 130 Cong. Rec. 28,073 (1984) (statement of Rep. Kastenmeier). Software is not mentioned in the legislative history, nor does anything in the legislative history evidence an intent by Congress to exclude software from coverage by the statute.

2. None of the Arguments Raised By Microsoft Before the Federal Circuit Justify Excluding Software from the Coverage of Section 271(f)

In its briefing to the Federal Circuit, Microsoft sought to split "software" into two forms—"intangible software information" and "tangible software media." *See* Replacement-Reply Brief for Def.-App. Microsoft Corp. before the Federal Circuit, at 6-7. Having made this distinction, Microsoft then frames the issue for appeal as whether intangible software information qualifies as a component under Section 271(f). *Id.* at 8. Microsoft argues that it cannot, on the grounds that intangible software information constitutes nothing more than a set of instructions, which could even be expressed in a form stored, for example, in the human mind. *Id.* at 7. Microsoft also emphasizes that intangible software information is not separately patentable. *Id.* at 10.

Accepting *arguendo* Microsoft's division of software into tangible and intangible portions, such division does nothing to further Microsoft's argument for an exception from section 271(f). Neither the statutory text nor its brief legislative history make reference to tangibility as a requirement for coverage under the statute. Similarly, despite the emphasis Microsoft places on the non-patentability of intangible software information, protection under section 271(f) is not limited to only those components that themselves could be separately patentable. Put simply, though software information may be intangible and unpatentable by itself, neither of these attributes bars it from constituting a "component" under section 271(f).

Microsoft's attempt to liken intangible software information to a set of instructions, or a pattern for a key for a lock, a pattern for a tire mold, or a pattern for a circuit chip, *id.* at 11, disguises the critical difference separating software from all of these comparators: software is capable of becoming incorporated (*i.e.*, stored) within a patented product, whereas the others cannot. A keymaker, for example, can lay a paper set of instructions next to his machinery while creating the key, but the paper cannot become incorporated within the key. The pattern depicted on the paper set of instructions, or the tire mold, subsequently may be *illustrated* by the appearance of the key, or the outer surface of the tire, when the key or tire are created so as to resemble the pattern depicted on the paper or the mold, respectively, but neither the paper nor the mold have become *incorporated* within the object they were used to create. In contrast, intangible software information, unique among all the foregoing examples, is capable of becoming incorporated within a patented computer product.

Indeed, Microsoft's treatment of the *Berhart* case supports this conclusion. *Id.* at 12 (citing *In re Berhart*, 417 F.2d 1395 (C.C.P.A. 1969)). Microsoft acknowledges without argument *Berhart*'s recognition that a programmed computer "is physically different from the machine without that program." *Id.* (citing *Berhart* at 1400). This difference arises because the programming of a computer using intangible software information rearranges its memory elements. *Id.* Though Microsoft emphasizes that "no molecules are added or subtracted during the programming process," it agrees that the computer is "physically changed" by the incorporation of the software. *Id.* Whether the physical change involves a numerical difference in the number of molecules incorporated within the product is unlikely to have been a concern of Congress, and does not justify creating an exception from section 271(f) for software.

Whether in tangible or intangible form, software is capable of becoming incorporated into a patented product, and thus is capable of being a component of a patented product so as to qualify for protection under section 271(f). This Court should affirm the Federal Circuit's holding that software constitutes a component within the meaning of section 271(f).

B. The Federal Circuit's Reading of "Supplied" to Include "Copying" is Strained, Unsupported by Section 271(f), and Should Be Reversed

Section 271(f) was enacted to "prevent copiers from avoiding U.S. patents by supplying components of patented products in this country so that the assembly of the components may be completed abroad" and responded

"to the United States Supreme Court decision in *Deepsouth Packing Co. v. Laitram Corp.*, concerning the need for a legislative solution to close a loophole in patent law." 130 Cong. Rec. 28,073 (1984) (statement of Rep. Kastenmeier) (citation omitted). There is no specific discussion of the meaning of "supplying," except as is implied by the *Deepsouth* case.

In *Deepsouth*, this Court considered a defendant who manufactured all of the parts of a shrimp-deveining machine in the United States that would have infringed the plaintiff's patent had it been assembled in the United States. *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 523-24 (1972). Instead, the defendant intended to ship all of the parts of the machine outside the United States for assembly and use there by foreign buyers. *Id.* at 523. Assembly was so minor as to take less than an hour once all the parts were received. *Id.* at 524. In *Deepsouth*, the components that were manufactured in the United States were those that were assembled into a device that fell within the claims of the patent. *Id.* at 523. However, because there was no direct infringement in the United States, this Court declined to find liability in the absence of Congressional directive. *Id.* at 526-27 & 532.

In contrast to the *Deepsouth* case, in this case, the component that is shipped from the United States is never combined into an apparatus that falls within the scope of the claims. The golden disk is not combined into the apparatus, nor is the software that is on the disk ever loaded onto the apparatus. The Federal Circuit found liability for this operation by redefining, for software only, "supplying" to include a manufacturing operation that operates wholly outside of the United States, deciding that "copying" should

be included within the definition of "supplying." *AT&T*, 414 F.3d at 1370.

If the component manufactured in the United States and shipped to a foreign country for combination in the claimed invention had been a special type of bolt and that prototype bolt had been copied millions of times outside of the United States for inclusion in machines that fell within the claims, the Federal Circuit would have not found infringement of the patent claims.[4] Yet, aside from the ease of copying software, the Federal Circuit does not provide any reason why software should be treated differently from other components. Nothing in the statute implies that for software, "copying" should be included in "supplying," nor is any such indication found in the legislative history.

The Federal Circuit's own precedent is to the contrary. In *Eolas Techs. Inc. v. Microsoft Corp.*, the Federal Circuit found that "sound policy again counsels against varying the definition of 'component of a patented' invention according to the particular form of the part under consideration []." 399 F.3d 1325, 1339-40. No sound reason exists to require that software should be treated the same as other elements when determining whether it is a "component" under section 271(f), and differently when determining whether it has been "supplied." The Federal Circuit's reasoning in the *Eolas* case was sound that software should be treated equally with all other components under section 271(f).

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[4] "Accordingly, for *software* "components," the act of copying is subsumed in the act of "supplying," such that sending a single copy abroad with the intent that it be replicated invokes § 271(f) liability for those foreign-made copies." *AT&T*, 414 F.3d at 1370 (emphasis added).

As argued by the dissent, the majority's reasoning does not support reading "copying" into "supplying," even for software:

> To the contrary, copying and supplying are separate acts with different consequences—particularly when the "supplying" occurs in the United States and the copying occurs in Düsseldorf or Tokyo. As a matter of logic, one cannot supply one hundred components of a patented invention without first making one hundred copies of the components, regardless of whether the components supplied are physical parts of intangible software.

AT&T, 414 F.3d at 1373 (Rader, J., dissenting). It would no doubt surprise a software manufacturer to learn that by "supplying" a single copy of software to one of his customers he was in fact also allowing that customer to copy the software for use on many other machines.[5]

By expanding the scope of "supplying" to include copying, the Federal Circuit greatly extends the extraterritorial reach of section 271(f). With physical components, the manufacture is largely within the United States and the infringing act, that of shipping the items

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[5] Had Microsoft chosen to stream its software electronically and directly onto its ultimate customers' computers, the Federal Circuit's decision result may very well have been the correct one. In such a case, the software component would have been supplied from the United States for incorporation into a machine that would infringe the patent claims, had it been assembled in the United States. Microsoft did not choose such a method of supplying its software to its foreign customers and so does not fall within section 271(f).

abroad, takes place within the United States. By including copying within "supplying," the Federal Circuit includes in the infringing act an entire manufacturing operation that takes places wholly outside of the United States. Congress has not evidenced an intent to capture such activities.

"Supplying," as used in the context of section 271(f) means what would be expected from a fair reading of the *Deepsouth* case and the congressional response – the component that originates in the United States is incorporated into a product that falls within the scope of the claims. Manufacturing processes that occur outside the United States do not fall within the definition of "supplying."

The Federal Circuit's fear of "emasculating" the statute for software inventions is an ill-founded one. Many options exist in drafting claims for software. For instance, software developers have the option of drafting patent claims to computer programs fixed in a tangible medium, such as the golden disks used by Microsoft. The use of such claims would protect the patentee from the unauthorized manufacture in and shipment from the United States of software on "golden disks," as these unauthorized activities would be covered by section 271(a).[6] It is unnecessary to stretch the definition of "supplying" to encompass acts wholly outside of the United States to accommodate claim-drafting decisions by a patentee.

This Court should reject any expansion of the scope of section 271(f) beyond that specifically covered by the statute.

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[6] These claims are termed "Beauregard claims", based on the case in which they were first allowed. *See In re Beauregard*, 287 F.3d 1583 (Fed. Cir. 1995).

No special "software" scope expansion has been mandated by Congress and no sound reason exists for this Court to include one.

CONCLUSION

HIPLA respectfully requests that this Court affirm the Federal Circuit's holding that software constitutes a component within the meaning of section 271(f), and reverse the Federal Circuit's holding that "supplying" software under section 271(f) includes copying.

Respectfully submitted,

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